

UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;  
Suedeem G. Kelly, Marc Spitzer,  
Philip D. Moeller, and Jon Wellinghoff.

BGS Kimball Gas Storage, LLC                      Docket Nos. CP06-350-000

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Bluewater Gas Storage, LLC	Docket Nos. CP06-351-000 CP06-367-000 CP06-368-000
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## ORDER ISSUING CERTIFICATES AND APPROVING ABANDONMENT

(Issued October 27, 2006)

1. On May 26, 2006, Bluewater Gas Storage, LLC (Bluewater) filed an application in Docket No. CP06-351-000 under section 7(c) of the Natural Gas Act (NGA) and Part 157 of the Commission's regulations seeking a certificate of public convenience and necessity to authorize its operation of existing natural gas storage and associated pipeline facilities in St. Clair and Macomb Counties, Michigan, as jurisdictional facilities under the NGA. The subject facilities include storage facilities leased by Bluewater from BGS Kimball, LLC (BGS Kimball), and BGS Kimball therefore seeks authority in Docket No. CP06-350-000 to abandon its limited jurisdiction blanket transportation certificate issued pursuant to section 284.224 of the Commission's regulations. In Docket Nos. CP06-367-000 and CP06-368-000, Bluewater seeks a blanket certificate under Part 157, Subpart F, of the Commission's regulations and a blanket certificate under Part 284, Subpart G, of the Commission's regulations.

2. As discussed below, the Commission finds that approval of Bluewater’s proposal is required by the public convenience and necessity. Therefore, the Commission is issuing Bluewater’s requested certificate authorizations and granting Bluewater authority to charge market-based rates for its storage and hub services, subject to conditions set forth herein. The Commission also grants BGS Kimball’s request for authority to abandon its limited jurisdiction blanket certificate.

## I. Background and Proposal

3. Bluewater is a limited liability company organized and existing under the laws of the State of Delaware. All of Bluewater's membership interests are indirectly owned by Energy Center Investments, LLC (ECI). ECI's membership interests are owned by

PAA/Vulcan Gas Storage, LLC and Vulcan Capital. Upon receipt of the authorizations requested, Bluewater will become a “natural gas company” within the meaning of section 2(6) of the NGA and, as such, will be subject to the Commission’s NGA jurisdiction.

4. Bluewater currently holds certificates of public convenience and necessity issued by the Michigan Public Service Commission (Michigan PSC) authorizing construction, ownership, and operation of the Bluewater storage facilities and related interconnecting pipeline facilities in intrastate commerce. Bluewater currently operates as a Hinshaw pipeline exempt from the Commission’s jurisdiction pursuant to section 1(c) of the NGA.<sup>1</sup> However, Bluewater also holds a Presidential Permit issued by this Commission, which authorizes Bluewater to own, operate and maintain border crossing facilities at the international boundary with Canada through which natural gas may be imported and exported.<sup>2</sup>

**A. Bluewater's Existing Facilities and Services**

5. The Bluewater storage facility consists of 1,750 acres, and includes a buffer area outside the zero hydrocarbon outline, the effective boundary of the field. The Bluewater facility has 26.2 Bcf of working gas storage capacity at a maximum reservoir pressure of 2,205 psig. The maximum daily injection rate is 460 MMcf, and the maximum daily withdrawal rate is 732 MMcf. The Bluewater storage facility utilizes nine newly drilled gas storage wells, one observation well, newly constructed storage lines, and 12,050 horsepower (hp) of compression.

6. Bluewater's storage operations also use the adjacent Kimball 27 natural gas storage field, which is owned by BGS Kimball. By means of a long term lease, Bluewater operates the Kimball 27 storage facility as part of its Hinshaw system subject to the jurisdiction of the Michigan PSC. The Kimball 27 storage facilities are approximately 127 acres in size and have working gas storage capacity of 3.05 Bcf at a maximum reservoir pressure of 1,897 psig. The maximum daily injection rate is 48 MMcf, and the maximum daily withdrawal rate is 94 MMcf.

7. Both the Bluewater field and the Kimball 27 field are depleted oil and gas reservoirs that have been converted into high deliverability natural gas storage facilities

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<sup>1</sup> 15 U.S.C. § 717(c).

<sup>2</sup> *CMS Gas Transmission Co. and Bluewater Gas Storage, LLC.*, 109 FERC ¶ 61,219 (2004).

which presently serve Michigan and Ontario markets. The facilities have a total working gas storage capacity of 29.25 Bcf and a combined maximum withdrawal rate of 826 MMcf per day.

8. A 1.5-mile long, 20-inch diameter pipeline extends from the compressor station at the Bluewater storage facility to an interconnection with the Bluewater Pipeline, which was acquired by Bluewater from CMS Transmission Company in 2004. The Bluewater Pipeline consists of approximately 30 miles of 20-inch diameter pipe in Macomb and St. Clair Counties, Michigan.

9. The Bluewater Pipeline also interconnects with a recently constructed approximately 5-mile long, 8-inch diameter pipeline which is part of the Kimball 27 storage facilities leased by Bluewater from BGS Kimball. This 5-mile pipeline also interconnects with the facilities owned by ANR Pipeline Company (ANR).

10. In addition, the Bluewater Pipeline interconnects with the interstate transmission facilities operated by Great Lakes Gas Transmission, LP (Great Lakes), and Vector Pipeline, LP (Vector) and the local distribution systems operated by Michigan Consolidated Gas Company (MichCon) and Consumers Energy Company (Consumers). The Bluewater Pipeline ends at the international boundary between the United States and Canada, where it is interconnected with St. Clair Pipelines, Ltd., a Canadian pipeline, and Union Gas Limited, a Canadian local distribution company (LDC).

11. As stated above, the facilities for which Bluewater seeks NGA certificate authorization are currently operated as NGA-exempt Hinshaw facilities under section 1(c) of the NGA. All of Bluewater's existing natural gas storage and associated pipeline facilities are located in Michigan, and all the gas Bluewater stores is redelivered within Michigan or through the border crossing facilities authorized by Bluewater's Presidential Permit.

12. Since Bluewater has leased the Kimball 27 storage facility, BGS Kimball seeks to abandon the limited jurisdiction blanket certificate its predecessor, WPS-ESI Gas Storage, LLC (WPS), received from the Commission in July 2004 pursuant to section 284.224 of the Commission's regulations to authorize use of the Kimball 27 facility for interstate storage services at market-based rates.<sup>3</sup> BGS Kimball states that it has never provided service under the section 284.224 blanket certificate.

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<sup>3</sup> *WPS-ESI Gas Storage, LLC*, 108 FERC ¶ 61,061 (2004).

**B. Markets**

13. Bluewater refers to its proposal as the Bluewater Storage Project. It states that the demand for flexible natural gas storage services in the Great Lakes region, the Northeast, and western Ontario continues to increase and that certification of the Bluewater Storage Project will enhance the competitive alternatives available to customers in these regions.

14. Bluewater states the overall U.S. demand for storage is increasing due to continuing growth and demand for natural gas.<sup>4</sup> It also states that declines in domestic production and deliverability are driving increases in the need for storage to meet winter demand and seasonal deliverability requirements and that changes in the shape of deliverability requirements are occurring in the industry that place a premium on rapid response load-following capabilities.

**C. Request for Market-Based Rate Authority**

15. Bluewater requests authorization to charge market-based rates for its proposed storage, hub and wheeling services. To support its market-based rate proposal under the Commission's 1996 Alternative Rate Policy Statement,<sup>5</sup> Bluewater has included in its application a market power study based on the criteria set forth in the policy statement. The market power study defines the relevant geographic market area and includes only the storage facilities that are available to the relevant market, and not other services. Bluewater states that the market power analysis demonstrates that good alternatives to the proposed services exist, given the number and size of existing storage facilities in the relevant market, and that no barriers to entry in the market exist. Bluewater's market power study concludes that it will not possess market power over storage and hub services to sustain significant price increases and, therefore, granting market-based rate authority is justified.

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<sup>4</sup> Bluewater notes the Energy Information Administration's projection that the total U.S. natural gas consumption will grow from 22.4 Tcf in 2004 to 26.9 Tcf in 2030. *Citing EIA Annual Energy Outlook 2006 at 85 and Fig 71.*

<sup>5</sup> *Alternatives to Traditional Cost-of-Service Ratemaking for Natural Gas Pipelines and Regulation of Negotiated Transportation Services of Natural Gas Pipelines*, 74 FERC ¶ 61,076; *reh'g and clarification denied*, 75 FERC ¶ 61,024 (1996), *petitions denied and dismissed*, *Burlington Resources Oil & Gas Co. v. FERC*, 172 F.3d 918 (D.C. Cir. 1998).

16. Bluewater's proposed tariff includes four rate schedules for firm service: Rate Schedule FSS for firm storage service, Rate Schedule NNSS for no-notice storage service, Rate Schedule FP for firm parking service and Rate Schedule FL for firm loan service. Bluewater also proposes several rate schedules for interruptible services including Rate Schedule ISS for interruptible storage service, Rate Schedule IHBS for interruptible hourly balancing service, Rate Schedule IP for interruptible parking service, Rate Schedule IW for interruptible wheeling service and Rate Schedule IL for interruptible loan service.

#### **D. Existing Customers and Services**

17. As an existing storage provider operating as a Hinshaw under state-regulation, Bluewater has existing customers. Bluewater states that it has committed to honor the rates it has negotiated with each of its customers for the remaining term of their currently-effective service agreements. However, Bluewater explains that when it accepts its NGA section 7 certificate, it will tender to each of customers replacement service agreements in the form specified in its *pro forma* FERC Gas Tariff.

### **II. Notice and Interventions**

18. Notice of Bluewater's application was published in the *Federal Register* on June 7, 2006.<sup>6</sup> The Peoples Gas Light and Coke Company, Peoples Energy Wholesale Marketing, LLC, and Panhandle Eastern Pipeline Company, LP, filed timely unopposed motions to intervene. Timely, unopposed motions to intervene are granted by operation of Rule 214 of the Commission's regulations.<sup>7</sup> None of the intervenors protest or raise concerns regarding Bluewater's proposal.

### **III. Discussion**

#### **A. Certification of Facilities**

19. Bluewater seeks certificate authorization to operate existing natural gas facilities, including leased facilities, to provide jurisdictional services in interstate commerce subject to sections 7(c) and (e) of the NGA and the Commission's jurisdiction. As such, Bluewater's proposal does not involve new or additional costs for facilities and the

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<sup>6</sup> 71 *Fed. Reg.* 34,335.

<sup>7</sup> 18 C.F.R. § 385.214(a)(3) (2006).

Commission's Certificate Policy Statement does not expressly apply.<sup>8</sup> However, in considering whether Bluewater's proposal will serve the public interest, the criteria established by the Certificate Policy Statement nevertheless can be applied in balancing public benefits against potential adverse consequences, giving appropriate consideration to the enhancement of competitive transportation alternatives, subsidization by existing customers, the applicant's responsibility for unsubscribed capacity, and the avoidance of the unnecessary exercise of eminent domain or other disruptions of the environment.

20. Under this policy, the threshold requirement for pipelines proposing new projects is that the pipeline must be prepared to financially support the project without relying on subsidization from its existing customers. The next step is to determine whether the applicant has made efforts to eliminate or minimize any adverse effects the project might have on the applicant's existing customers, existing pipelines in the market and their captive customers, or landowners and communities affected by the route of any new pipeline facilities. If residual adverse effects on these interest groups are identified after efforts have been made to minimize them, the Commission will evaluate the project by balancing the evidence of public benefits to be achieved against the residual adverse effects. This is essentially an economic test. Only when the benefits outweigh the adverse effects on economic interests will the Commission proceed to complete the environmental analysis where other interests are considered.

21. As a storage provider currently operating subject to the Michigan PSC's jurisdiction, Bluewater has existing customers. As stated above, the threshold requirement under the Commission's Certificate Policy Statement is that an applicant must be prepared to financially support a proposal without relying on subsidization from existing customers. As discussed above, Bluewater's application seeks certification of existing facilities already owned or leased by Bluewater and does not involve new or additional costs for facilities. Therefore, there is no issue of subsidization as contemplated by the Certificate Policy Statement.

22. Bluewater's existing customers also are protected by Bluewater's request for market-based rate authority which places on Bluewater the economic risk of any

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<sup>8</sup>*Certification of New Interstate Natural Gas Pipeline Facilities*, 88 FERC ¶ 61,227 (1999), *order on clarification*, 90 FERC ¶ 61,128 (2000), *order on clarification*, 92 FERC ¶ 61,094 (2000) (Certificate Policy Statement).

unsubscribed capacity or revenues being insufficient to recover costs.<sup>9</sup> Further, the Michigan PSC has authorized Bluewater to charge market-responsive rates for its intrastate storage services that are individually negotiated, and Bluewater has agreed to continue providing its current customers with storage services at the rates specified in their current contracts for the remainder of the contract terms. None of Bluewater's customers have raised any objections regarding Bluewater's rates. Nor have any of its customers raised concerns with respect to any other matter. Thus, there is no indication that Bluewater's proposal will adversely affect the quality of Bluewater's existing services.

23. Bluewaters' storage facilities are located in a competitive market area, and its proposal does not involve bypass of any existing pipeline or capacity or displacement of any other market. Thus, approval of Bluewater's proposal will have no adverse impact on natural gas service providers or their customers, and certification of its storage facilities as NGA jurisdictional facilities will enhance the nation's natural gas infrastructure and efficiency. Approval of Bluewater's proposal will have no adverse effect on landowners because no new construction is proposed.

#### **B. Market-Based Rates**

24. As stated above, Bluewater has submitted a market power study to support its request for market-based rate authority. Bluewater states that it based its market power study on the criteria set forth in the Commission's 1996 Alternative Rate Policy

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<sup>9</sup> See, e.g., *Port Barre Investments, L.L.C. d/b/a Bobcat Gas Storage*, 116 FERC ¶ 61,052 at P 17 (2006). Because the Commission is approving Bluewater's request for market-based rate authority, Bluewater is not required to propose a recourse rate or other cost-based rates. Therefore, while the Commission is imposing accounting and recordkeeping requirements relating to cost information, as discussed below, the Commission is not reviewing Bluewater's costs, which include its costs pursuant to the lease agreement under which Bluewater pays BGS Kimball \$225,000 per month plus a commodity charge on injected volumes of \$.016 per dekatherm. Further, since Bluewater has already leased and is using these facilities to provide its existing services, the issue before the Commission is whether to certificate the leased facilities for jurisdictional service, not whether to approve the lease. See, e.g., *Texas Gas Transmission, LLC*, 113 FERC ¶ 61,185 (2005); *Islander East Pipeline Company, L.L.C.*, 100 FERC ¶ 61,276 at P 69 (2002).

Statement.<sup>10</sup> Bluewater's market power analysis for storage service defines the relevant product and geographic markets, measures market share and concentration, and evaluates other factors. For the purpose of its analysis, Bluewater identifies the relevant product market as firm and interruptible storage, hub and wheeling services and the relevant geographic market as consisting of the Great Lakes Market, which it defines as Michigan, northern Indiana, northern Illinois, northern Ohio and western Ontario. For the reasons discussed below, the Commission will not include storage located in northern Ohio for purposes of conducting the market power analysis for Bluewater.

25. According to Bluewater, storage capacity in northern Ohio includes storage capacity owned by Dominion and operated by its local distribution subsidiary, East Ohio Gas (58.87 Bcf of working gas capacity); storage capacity owned by NiSource, Inc. and operated by its pipeline subsidiary Columbia Gas Transmission Corporation (Columbia) (139.32 Bcf of working gas capacity); and storage capacity owned by the Energy Cooperative and operated by its subsidiary National Gas and Oil Corporation (2.27 Bcf of working gas capacity). East Ohio Gas is an LDC that uses its on-system storage for a variety of purposes, including meeting its firm customers' temperature sensitive needs and assigning storage to retail choice marketers that serve a significant portion of its market. Bluewater has provided no evidence of the amount of storage capacity that East Ohio Gas makes available to the interstate market that could be available as an alternative to Bluewater's storage capacity. In addition, East Ohio Gas is not directly connected to any of the three LDCs that interconnect with Bluewater, Vector or Great Lakes. Although ANR serves the western part of East Ohio Gas' system, Bluewater has provided no evidence to confirm that storage service from East Ohio Gas delivered through ANR can be available in a timely enough fashion with a service quality that is comparable to Bluewater's.

26. Bluewater has also not provided evidence of the availability of storage capacity on Columbia's system. Currently, Columbia's storage service under Rate Schedule FSS service is fully subscribed and would not be available as an alternative to Bluewater's

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<sup>10</sup> *Supra*, n. 5. The Commission adopted an expanded definition of product market in order No. 678 issued on June 19, 2006. *Rate Regulation of Certain Natural Gas Storage Facilities*, Order No. 678, 71 Fed. Reg. 36612 (June 27, 2006). FERC Stats. & Regs., Regs. Preambles ¶ 61,220 (2006). Since Bluewater's market-based rate proposal meets the stricter criteria set forth in the Commission's 1996 Alternative Rate Policy Statement, no further inquiry under Order No. 678 is necessary.



storage capacity.<sup>11</sup> In addition, Columbia does not have direct connections with the three LDCs that interconnect with Bluewater. Further, Columbia does not have direct interconnections with Vector or Great Lakes. Although ANR does interconnect with Columbia in western Ohio, Bluewater has provided no evidence to confirm that storage service from Columbia delivered through ANR will be available in a timely enough fashion with a service quality that is comparable to Bluewater's.

27. Finally, the Commission notes that it conducted a market power analysis of the Kimball 27 storage field in the proceeding in which the Commission granted a limited jurisdiction blanket certificate pursuant to section 284.224 of the regulations and market-based rate authority to BGS Kimball's predecessor, WPS-ESI Gas Storage. For this storage field, located in St. Clair County, Michigan, the consultant determined that the relevant geographic market included the geographic area traversed by the northern zone of ANR's system in Michigan, northern Indiana, northern Illinois and eastern Iowa as well as storage located in western Ontario.<sup>12</sup>

28. Bluewater's market power analysis identifies 121 alternative natural gas storage facilities, affiliated with 19 separate entities, in the relevant market area. The total working gas capacity of all the included facilities, including Bluewater's facilities but excluding those in northern Ohio for the reasons discussed, is 1,116 Bcf, with Bluewater controlling 29.25 Bcf, or 2.6 percent of the market. In addition, the study finds that Bluewater's 826 MMcf per day of peak deliverability will be 3.2 percent of the available deliverability of 25,432 MMcf per day. Thus, the Commission finds that even without considering the northern Ohio storage capacity in the market power analysis, Bluewater's aggregate share of the relevant market will be relatively small.

29. The Commission uses the Herfindahl Hirschman Index (HHI) to determine market concentration for gas pipeline and storage markets. The Alternative Rate Policy Statement states that a low HHI – generally less than 1,800 – indicates that sellers cannot exert market power because customers have sufficiently diverse alternatives in the relevant market. While a low HHI suggests a lack of market power, a high HHI – generally greater than 1,800 – requires closer scrutiny in order to make a determination about a seller's ability to exert market power. Excluding the northern Ohio storage capacity, Bluewater's HHI calculation is 1,329 for working gas capacity and 1,262 for

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<sup>11</sup> Columbia Gas Transmission Informational Postings website, "Unsubscribed Capacity", October 17, 2006.

<sup>12</sup> *WPS-ESI Gas Storage, LLC*, 108 FERC ¶ 61,061 (2004).

peak day deliverability. These measures of market concentration are well below the Commission's threshold level of 1,800, indicating that Bluewater does not have market power in the relevant market area.

30. Bluewater's proposed hub services, *i.e.*, parking, loaning, and balancing are essentially variations of storage services and its market power analysis for storage services demonstrates that Bluewater lacks market power with regard to such services. Traditionally, in evaluating whether shippers of an applicant seeking market-based rate authority for interruptible wheeling service could obtain the same services from alternative providers, the Commission has used a matrix, referred to as a "bingo card", which identifies all possible interconnects for pipelines attached to a hub and indicates whether good alternatives exist. Bluewater presents such an analysis showing interconnections between six pipelines directly interconnected with Bluewater's system, indicating that shippers can avoid Bluewater through the use of alternative routes. Bluewater's response to the Commission's July 20, 2006 data request shows that over 23 Bcf per day of capacity exists for alternative receipt and delivery points on the six pipelines whose systems are interconnected with Bluewater's system.

31. In sum, the Commission finds that Bluewater's storage facilities will be in a highly competitive market where numerous storage and interruptible hub service alternatives exist for potential customers. The Commission also finds that Bluewater's prospective market shares are low, and that its HHI for working gas capacity and for peak day deliverability are below the threshold for further review. Thus, the Commission concludes that Bluewater will lack market power. Further, Bluewater's request for market-based rate authority is unopposed. For these reasons, the Commission will approve Bluewater's request for authority to charge market-based rates for firm storage and interruptible storage, hub and wheeling services.

32. Nevertheless, Bluewater must notify the Commission if future circumstances significantly affect its present market power status. Thus, our approval of market-based rates is subject to re-examination in the event that: (a) Bluewater adds storage capacity beyond the capacity authorized in this order; (b) an affiliate increases storage capacity; (c) an affiliate links storage facilities to Bluewater; or (d) Bluewater, or an affiliate, acquires an interest in, or is acquired by, an interstate pipeline connected to Bluewater. Since these circumstances could affect its market power status, Bluewater shall notify the Commission within 10 days of acquiring knowledge of any such changes. The

notification shall include a detailed description of the new facilities and their relationship to Bluewater.<sup>13</sup> The Commission also reserves the right to require an updated market power analysis at any time.<sup>14</sup>

### **C. Bluewater's Proposed Tariff**

#### **Firm Storage Service**

33. Bluewater's Rate Schedule Firm Storage Service (FSS) provides a customer with the option of negotiating individualized limitations on injection and withdrawal rights ("ratchets") corresponding to percentages of gas held in the customer's storage inventory relative to the customer's Maximum Storage Quantity. The *pro forma* Rate Schedule FSS Service Agreement includes a series of blanks that can be filled in with the customer's desired storage delivery and redelivery ratchets and are a matter of negotiation between the customer and Bluewater. Bluewater states that the service will offer customers additional options as to the level of firm storage flexibility they purchase, and no customer will be disadvantaged since every customer will have an equal opportunity to negotiate its individual ratchets with Bluewater.

34. The Commission has provided pipelines with flexibility in negotiating individual rate provisions through negotiated-rate authority; the Commission has not allowed the negotiation of terms and conditions of service that would result in a customer receiving a different quality of service than that provided to other customers contracting for the same service under the pipeline's tariff.<sup>15</sup> The Commission has not provided pipelines with the authority to file for pre-approval of the right to negotiate terms and conditions of service with individual customers because of the risk of undue discrimination among

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<sup>13</sup> *E.g., Port Barre Investments, L.L.C. d/b/a Bobcat Gas Storage*, 116 FERC ¶ 61,052 (2006); *Pine Prairie Energy Center, LLC*, 109 FERC ¶ 61,215 (2004); *Copiah County Storage Company*, 99 FERC ¶ 61,316 (2002).

<sup>14</sup> *See Rendezvous Gas Services, L.L.C.*, 112 FERC ¶ 61,141 at P 40 (2005). The Commission notes that in Order No. 678 it chose not to impose a requirement that storage providers granted market-based rates file an updated market power analysis every five years.

<sup>15</sup> Section 284.7 (b)(2) of the Commission's regulations requires that "an interstate pipeline that offers transportation service on a firm basis under subpart B or G of this part must provide each service on a basis that is equal in quality for all gas supplies transported under that service, whether purchased from the pipeline or another seller".

customers.<sup>16</sup> The Commission has stated that it generally considers negotiated terms and conditions of service to be those provisions related to operational conditions of transportation service.<sup>17</sup> This includes any provision that results in a customer receiving a different quality of service than that provided other customers under the pipeline's tariff, or affects the definition and the quality of service received by others.<sup>18</sup> Allowing shippers to negotiate the ratchets of a storage service would fundamentally change the nature of the service and create the potential that two parties contracting for the same service might not receive service that is equal or even similar in quality.

35. While the Commission has approved storage services that offer some degree of service flexibility,<sup>19</sup> the Commission has provided such flexibility so long as shippers selecting a specific service option will receive the same quality of service as other shippers selecting the same service option. That would not be the case with Bluewater's proposal to give customers the option under Rate Schedule FSS of negotiating individualized limitations on injection and withdrawal rights to correspond to the percentages of gas held in their storage inventory relative to their Maximum Storage Quantities. Therefore, Bluewater is directed to revise Rate Schedule FSS to eliminate the option for customers to negotiate storage ratchets.

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<sup>16</sup> *CenterPoint Energy Gas Transmission Company*, 104 FERC ¶ 61,281 (2003); *Tennessee Gas Pipeline Company*, 97 FERC ¶ 61,225 (2001); *ANR Pipeline Company*, 97 FERC ¶ 61,223 (2001); *Order No. 637, Regulation of Short-Term Natural Gas Transportation Services, and Regulation of Interstate Natural Gas Transportation Services*, Docket Nos. RM98-10-000 & RM98-12-000; 65 FR 10156 (February 25, 2000).

<sup>17</sup> *Tennessee Gas Pipeline Company*, 97 FERC ¶ 61,225 (2001); *ANR Pipeline Company*, 97 FERC ¶ 61,223 (2001).

<sup>18</sup> *Id.*

<sup>19</sup> The Commission has allowed storage services to provide shippers with significant flexibility to sculpt their service by negotiating the storage contract quantity and maximum daily deliverability and by providing for service options within a rate schedule, such as Natural Gas Pipeline Company's Rate Schedule FSS, which offers shippers the option of three types of firm storage service: 30-day peaking service, 50-day peaking service or 120-day annual service. *Natural Gas Pipeline Company of America*, 63 FERC ¶ 61,105 (1993). Further, the Commission has also provided storage customers with the option of selecting either a ratcheted or unratcheted service. *ANR Pipeline Co.*, 62 FERC ¶ 61,079 (1993).

**Firm Parking Service and Firm Loan Service**

36. Bluewater has proposed both a firm parking service (FP) and a firm loan service (FL). When contracting for these services shippers will have the ability to inject or withdraw a fixed quantity of gas for a defined time period. Park and loan services have historically been interruptible and provided shippers with imbalance management and short-term storage services in order to help shippers manage their transportation needs. Depending on the operations of the pipeline system, park and loan programs have been provided through the use of linepack inventory or through available operational storage working gas. Park and loan programs usually have the lowest priority and are the first services subject to curtailment. However, unlike many of the interruptible park and loan programs that interstate pipelines currently offer, Bluewater will reserve firm injection and withdrawal capacity and firm storage capacity in order to provide FP and FL service and the services will have firm rights associated with them, although there will be defined times during the term of the agreement that the shipper will not have the right to inject and/or withdraw gas from storage. Bluewater's response to the Commission's July 20, 2006, data request ("data response") states that service under Rate Schedules FP and FL are intended to operate like firm storage service under Rate Schedule FSS except that injection and withdrawal rights will be limited in the manner specified in each customer's service agreement. Bluewater anticipates that services under Rate Schedules FP and FL will typically be short-term in nature – usually two to three months, often between the injection and withdrawal seasons.

37. The Commission's regulations define service on a firm basis as a service that is not subject to a prior claim by another customer or another class of service customer and that receives the same priority as any other class of firm service.<sup>20</sup> The Priority and Interruption of Service provisions and the Capacity Release provisions of Bluewater's tariff treat FP and FL service with the same priority as its other firm storage services. The Commission has previously rejected an attempt by Questar to provide a firm park and loan service due to the fact that Questar failed to clearly define that it had the

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<sup>20</sup> 18 C.F.R. §284.7 (3).

necessary unsubscribed firm capacity to support the service.<sup>21</sup> Bluewater's FP and FL Rate Schedules, however, clearly state it will be supported by firm storage capacity and firm injection and withdrawal capacity and the Commission will approve the service.<sup>22</sup>

**Interruptible Storage Service, Interruptible Parking Service and  
Interruptible Lending Service**

38. Section 2.2 of Rate Schedule ISS, section 2(c) of Rate Schedule IP and section 2 of Rate Schedule IL describe the process for interruptible storage, interruptible parking and interruptible loan service customers to withdraw or inject gas if the storage capacity is needed by Bluewater for firm service or gas that has been borrowed from storage is needed by Bluewater to satisfy a firm service obligation. In its data response Bluewater stated they would be willing to provide more specificity to the timeline by adding a provision requiring Bluewater to provide day-ahead notice to an interruptible customer that it must either withdraw or inject gas at its MDWQ during the next Gas Day. Bluewater will repeat this notice on a daily basis until all of the customer's gas is either withdrawn from or injected into storage or until the circumstances necessitating the interruption are alleviated. In addition, Bluewater states that General Terms & Conditions (GT&C) section 5.3(b) of its tariff states that "Bluewater shall provide Customer as much advance notice of any interruption as is practicable under the circumstances." The Commission will require Bluewater to make the changes proposed in its data response and also require Bluewater to include tariff language stating that in the event a shipper makes a timely nomination in response to a notification by Bluewater, the obligation of the shipper to comply with that notification shall be tolled until such time as Bluewater's operational conditions allow Bluewater to schedule the nomination.

**Request for Service**

39. Section 3.1 of the GT&C contains the open season process Bluewater will use in soliciting bids for its firm storage service under Rate Schedules FSS or NNSS. The open season provisions, however, do not apply to Bluewater's Rate Schedule FP or FL service. According to Bluewater's data response this is because Bluewater anticipates it will typically contract for firm parking and firm loan services on a short-term basis and that

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<sup>21</sup> *Questar Pipeline Company*, 99 FERC ¶ 61,129 (2002).

<sup>22</sup> The Commission has approved a short term storage service that functions somewhat similar to Bluewater's FP Rate Schedule -- Columbia Gas Transmission's Rate Schedule FBS. *See Columbia Gas Transmission Corporation*, 100 FERC ¶ 61,084 (2002).

an open season process would not be appropriate.<sup>23</sup> Bluewater intends to contract for FP and FL service on a “first come, first served” basis. The Commission finds that the tariff provisions detailed in section 3.1 do not provide the sufficient transparency required for contracting for Rate Schedules FP and FL. If Bluewater elects to utilize a “first come, first served” process, that capacity should be clearly posted as FP and FL service, such as through an open season, so that all parties have the opportunity to contract for capacity and capacity goes to the party that values it the most. Bluewater is required to revise its tariff accordingly.

40. Section 3.1(c), (d) and (e) state how Bluewater will award capacity that is made available through an open season. Section 3.1(c) states that “Capacity will be allocated to those prospective Customers offering to pay the highest market-based rates.” Section 3.1(c) also states that “More specifically, capacity will be allocated to those prospective Customers offering to pay the highest value to Bluewater over the term of each agreement”. In addition, section 3.1(c) also states “Bluewater reserves the right to give first priority to bids where: i) the reservation charges meet or exceed a threshold value and ii) the injection capacity of the bid does not exceed one-half (1/2) of the withdrawal capacity.” Finally, section 3.1(d) states that during the allocation process “capacity will first be allocated to the highest present value bids received for firm storage service, determined pursuant to the criteria set forth in section 3.1(c) above.” The Commission finds these differing provisions to be confusing and potentially in conflict.

41. Bluewater’s data response states it has elected to specify in each open season posting the applicable objective bid evaluation methodology (which may be different for different postings), rather than a single formula or other evaluation methodology. However, that appears to be in conflict with the language above that states that capacity may be awarded to the bid with the highest present value or the bids where: i) the reservation charges meet or exceed a threshold value and ii) the injection capacity of the bid does not exceed one-half (1/2) of the withdrawal capacity. Bluewater’s data response also states that Bluewater will evaluate bids using a net present value mechanism. However, the net present value mechanism is not clearly defined anywhere in the tariff. In its compliance filing Bluewater is directed to revise section 3.1 (c) and (d) to clearly state how capacity will be evaluated. If Bluewater elects to include a general tariff provision to evaluate bids in a manner that relies on criteria-specific relationships between injection and withdrawal capabilities, Bluewater is required to illustrate how that does not conflict with other bid evaluation criteria.

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<sup>23</sup> The Commission notes that there is nothing in the FP or FL rate schedules as presently structured that limits the term of the service.

### **Creditworthiness**

42. Several of Bluewater's creditworthiness requirements are either in conflict with the NAESB creditworthiness standards adopted by Order No. 587-S<sup>24</sup> or with Commission policy defined in a series of orders on creditworthiness issued over the last several years. Section 3.3(g) states that a customer that has been deemed not creditworthy may challenge the determination by providing written rebuttal to Bluewater within 10 days. This is in conflict with NAESB standard 0.3.8 which states "At any time after the Service Requester (SR) is determined to be non-creditworthy by the Transportation Service Provider (TSP), the SR may initiate a creditworthiness reevaluation by the TSP." The tariff provision attempts to limit the shipper's ability to challenge a determination of being creditworthy. Section 3.3(g) also states that Bluewater shall respond to any rebuttal by a customer to its creditworthiness evaluation within 10 days. This is in conflict with NAESB standard 0.3.9 which states that "After a Transportation Service Provider's (TSP) receipt of a Service Requester's (SR) request for re-evaluation, . . . within 5 business days, the TSP should provide a written response to the SR's Request". Bluewater is ordered to revise its tariff to comply with the NAESB standards.

43. Section 31.5 states that if a customer suffers a Material Adverse Change then, within five (5) days after written notice from Bluewater it is required to provide Bluewater with one or more of a series of Financial Assurances set forth in the tariff. The Commission has required that pipelines provide shippers that have become non-creditworthy with a reasonable period of time to obtain the requisite collateral. For example, the Commission has found proposals to require shippers to provide the total amount of collateral required within five days to be unreasonably short.<sup>25</sup>

44. The Commission has developed a timeline that applies to suspensions and termination procedures that it finds reasonable, although pipelines may seek to justify alternative proposals. Under this timeline, when a shipper is no longer creditworthy, the pipeline may not terminate or suspend the shipper's service without providing the shipper with an opportunity to satisfy the collateral requirements. In this circumstance, the shipper must be given at least five business days within which to provide advance payment for one month's service, and must satisfy the collateral requirements within 30 days. This procedure would allow the shipper to have at least 30 days to provide the next

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<sup>24</sup> *Standards for Business Practices of Interstate Natural Gas Pipelines*, 111 FERC ¶ 61,203 (2005).

<sup>25</sup> *Northern Natural Gas Co.*, 102 FERC ¶ 61,076 (2003); *Tennessee Gas Pipeline Co.*, 102 FERC ¶ 61,075 (2003).



three months of security for service. If the shipper fails to provide the required security within these time periods, the pipeline may suspend service immediately. Further, the pipeline may provide simultaneous written notice that it will terminate service in 30 days if the shipper fails to provide security. After a shipper either defaults or fails to provide the required collateral, pipelines would need to provide the shipper and the Commission with 30 days notice prior to terminating the shipper's contract.<sup>26</sup> Bluewater is required to revise section 31.5 of its tariff accordingly.

45. In addition, section 31.7(d) states that a customer shall be required to provide Bluewater with additional Financial Assurances upon two (2) Business Day's notice any time Bluewater's recomputation of the market value of any quantities of gas loaned by Bluewater indicates a dollar amount for Financial Assurances that exceeds the level of Financial Assurances previously posted by the customer by 10% or more. This provision is also in conflict with the Commission's creditworthiness collateral timeline policies described above. Therefore, Bluewater is ordered to revise its tariff accordingly.

### **NAESB**

46. Bluewater has not included the NAESB standards related to Electronic Data Interchange/Electronic Delivery Mechanism ("EDI/EDM") and Flat File/Electronic Delivery Mechanism ("FF/EDM") in its tariff, stating that it intends to request a waiver of the NAESB EDI/EDM and FF/EDM standards when it places its tariff into effect following the issuance of its requested certificates and that it has not received any requests to send information via EDI/EDM and FF/EDM to date. The Commission will not address this request for waiver at this time; however, the Commission notes that the NAESB data sets are to be used by more than just a pipeline's customers. Agents, third party service providers, other pipelines and the Commission can require the use of the NAESB data sets for their communication with and access to information from the pipeline. Further, the Commission requires certain capacity release information to be available to the public.

47. Standard 1.2.3, which provides the definition of the term "pooling" and standard 5.3.46, regarding notification of capacity release recall, are not addressed in Bluewater's tariff. Bluewater's data response states that they will add these standards to its tariff and the Commission will require it to do so. In addition, Bluewater's statement of NAESB

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<sup>26</sup> *Policy Statement on Creditworthiness for Interstate Natural Gas Pipelines and Order Withdrawing Rulemaking Proceeding*, 111 FERC ¶ 61,412 (2005).

definition 5.2.3 in section 2.11 does not contain the word “effective” in conjunction with the time of the intraday recall. Bluewater is ordered to include “effective” in its definition so as to avoid any confusion about the intent of the tariff language.

#### **D. Waivers**

48. Because it proposes to charge market-based rates for storage services utilizing its own storage facilities and storage facilities leased from BGS Kimball, Bluewater requests waiver of the Commission’s cost based regulations, which include: (1) section 157.6(b)(8) (certificate applicants to submit cost and revenue data); (2) sections 157.14(a)(13), (14), (16), and (17) (cost based exhibits); (3) section 157.14(a)(10) (showing of accessible gas supplies); (4) the accounting and reporting requirements of Part 201 and section 260.2 relating to cost-of-service rate structure (Form 2A); (5) section 284.7(e) (reservation charge); and (6) section 284.10 (straight fixed-variable rate design methodology).

49. The cost-related information required by these regulations is not relevant in light of our approval of market-based rates for Bluewater’s storage services. Thus, consistent with our findings in previous orders<sup>27</sup>, the Commission will grant Bluewater’s request for waivers, except for the information necessary for the Commission’s assessment of annual charges.<sup>28</sup> Bluewater is required to file page 520 of Form No. 2-A, reporting the gas volume information which is the basis for imposing an Annual Charge Adjustment (ACA) charge. In addition, the Commission also requires Bluewater to maintain sufficient records consistent with the Uniform System of Accounts should the Commission require Bluewater to produce these reports in the future.<sup>29</sup>

50. Section 284.7(d) provides that an interstate pipeline must permit a shipper to make use of the firm capacity for which the shipper has contracted by segmenting that capacity into separate parts for the shipper’s own use, or for the purpose of releasing that capacity to replacement shippers to the extent segmentation is operationally feasible. Bluewater has requested a waiver from the segmentation requirement in section 284.7(d),

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<sup>27</sup> See e.g., *Port Barre Investments, L.L. C. d/b/a Bobcat Gas Storage*, 116 FERC ¶ 61,052 (2006); *Liberty Gas Storage, LLC*, 113 FERC ¶ 61,247 at P 54 (2005); *SG Resources Mississippi, L.L.C.*, 101 FERC ¶ 61,029 at P 26 (2004).

<sup>28</sup> See *Wyckoff Gas Storage Co., LLC*, 105 FERC ¶ 61,027 at P 65 (2003).

<sup>29</sup> Bluewater's application indicates that there it has six crude oil production wells and related facilities within its natural gas storage field. Bluewater must ensure that its recordkeeping segregates costs relating its non-jurisdictional activities.

contending that its system consists of a single, integrated storage facility including two storage fields that operate in one geographic location and, therefore, there is nothing to segment.

51. The Commission has found that the requirements of section 284.7(d) do not apply to pipelines engaged solely in natural gas storage and which do not provide other stand-alone transportation services.<sup>30</sup> Bluewater meets these requirements and the Commission holds that the segmentation requirements of section 284.7(d) do not apply to Bluewater. The Commission also finds that other tariff provisions related to segmentation, such as the allocation of primary point rights in segmented releases and within-the-path scheduling, do not apply to Bluewater.

52. Section 284.12(b)(2)(ii) requires pipelines to establish procedures permitting shippers and their agents to net imbalances across contracts and to trade imbalances with other shippers. Bluewater requests an exemption from the imbalance netting and trading requirements, asserting that its tariff does not contain imbalance penalty provisions. Since Bluewater is not authorized to assess imbalance penalties, the Commission finds that it qualifies for the requested exemption.<sup>31</sup> Nevertheless, if it seeks to implement imbalance penalty provisions in the future, Bluewater must comply with Order No. 587-G.<sup>32</sup>

53. Bluewater requests a generic waiver of the Commission's "shipper must hold title" policy and authorization to reflect this waiver in its tariff in order to enable Bluewater to use off-system capacity it may obtain in order to offer "delivered storage" services via delivery points in downstream markets.<sup>33</sup> Section 30 of Bluewater's tariff includes an affirmative statement that Bluewater will only transport gas for others using off-system capacity pursuant to its open access tariff and subject to Commission-approved rates.

54. Bluewater notes that the Commission has imposed conditions on the use of off-system capacity by independent storage companies authorized to charge market-based

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<sup>30</sup> See *e.g.*, *Pine Prairie Energy Center, LLC* 109 FERC ¶ 61,215 (2004) at P 44; *Clear Creek Gas Storage Co.*, 96 FERC ¶ 61,071 (2001).

<sup>31</sup> *Standards for Business Practices of Interstate Pipelines*, 92 FERC ¶ 61,266 (2000).

<sup>32</sup> Order No. 587-G *Fed. Reg.* 20072 (April 23, 1998), FERC Stats. & Regs., Regulations Preambles July 1996 – December 2000 ¶ 31,062 (April 16, 1998).

<sup>33</sup> Bluewater does not envision becoming a seller of gas into such markets except as may occasionally be required for operational reasons.

rates.<sup>34</sup> In *Texas Eastern Transmission Corporation (TETCO)*<sup>35</sup>, the Commission found that pipelines no longer need to obtain prior approval to acquire capacity on another pipeline, provided the acquiring pipeline has filed tariff language specifying that it will only transport for others on off-system capacity pursuant to its tariff provisions and rates. Bluewater's proposed tariff language is consistent with the requirements set forth in *TETCO*. Therefore, the Commission accepts Bluewater's tariff language and grants waiver of the shipper must hold title policy, with the following clarification. Bluewater may only use capacity obtained on other pipelines in order to render services set forth in its tariff. That is, Bluewater may not use capacity on other pipeline to transport gas which will not physically or contractually enter its storage facility unless and until it has received Commission authorization to provide such transportation services. Furthermore, Bluewater's authorized use of the *TETCO* waiver to provide storage services shall be limited to the geographic area covered by Bluewater's market study.

55. Therefore, within 30 days after its first full year of operation, and every year thereafter, Bluewater is directed to file, for each acquisition of off-system capacity:

- a. the name of the off-system provider;
- b. the type, level, term and rate of service contracted for by Bluewater;
- c. a description of the geographic location – boundaries, receipt and delivery points, and segments comprising the capacity;
- d. the operational purpose(s) for which the capacity is utilized;
- e. a description of how the capacity is associated with specific transactions involving customers of Bluewater; and
- f. an identification of total volumes, by Bluewater rate schedule and customer, that Bluewater has nominated on each off-system provider during the reporting period.

**E. Transmission Provider's Standards of Conduct**

56. In Part 358 of the regulations, the Commission adopted new standards of conduct to ensure that transmission providers cannot extend their market power over transmission

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<sup>34</sup> *Freebird Gas Storage, LLC* 111 FERC ¶ 61,054 (2005) (*Freebird*); *Caledonia Energy Partners, L.L.C.* 111 FERC 61,095 (2005).

<sup>35</sup> *Texas Eastern Transmission Corporation*, 93 FERC ¶ 61,273 (2000), *reh'g* denied, 94 FERC ¶ 61,139 (2001).

by giving energy affiliates unduly preferential treatment.<sup>36</sup> In Order No. 2004-A, the Commission granted a request “to generically exempt from the definition of ‘Transmission Provider’ natural gas storage providers authorized to charge market-based rates that are not interconnected with the jurisdictional facilities of any affiliated interstate natural gas pipeline, have no exclusive franchise area, no captive ratepayers and no market power.”<sup>37</sup>

57. Bluewater contends that it qualifies for the exemption in Order No. 2004-A because it is not interconnected with an affiliated interstate gas pipeline, has no exclusive franchise area, has no captive customers, and has no market power. The Commission agrees and confirms that Bluewater meets the requirements for the independent storage provider exemption as set forth at 18 CFR § 358.3(a)(3) and that the Standards of Conduct are not applicable to Bluewater. However, if circumstances change and Bluewater no longer meets the requirements for the independent storage provider exemption of the Standards of Conduct, Bluewater must notify the Commission within 10 days of acquiring knowledge of any such changes.

#### **F. Transitional Matters**

58. As discussed above, Bluewater has committed to honor the rates it has negotiated with each of its customers for the remaining term of their currently-effective service agreements. However, Bluewater's rates and the terms and conditions of service must be those authorized by its FERC tariff once that tariff becomes effective. Accordingly, Bluewater states that at the time it accepts its NGA certificate it will tender to each of its then-existing customers replacement service agreements in the form specified in its *pro forma* FERC Gas Tariff. Bluewater further states that these replacement service agreements will become effective the same date that its FERC Gas Tariff becomes effective, and that each customer's then-existing storage inventory balance be transferred from its existing service agreement to the corresponding FERC-jurisdictional service agreement. Any new service agreements executed on or after that effective date will be subject to Bluewater's FERC Gas Tariff from their inception.

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<sup>36</sup> *Standards of Conduct for Transmission Providers*, Order No. 2004, 68 *Fed. Reg.* 69,134 (December 11, 2003), III FERC Stats. & Regs. ¶ 31,155 (2003), *order on reh'g*, Order No. 2004-A, 69 *Fed. Reg.* 23,562 (April 29, 2004), III Stats. & Regs. ¶ 31,161 (2004).

<sup>37</sup> Order No. 2004-A at P 39.

**G. Engineering Analysis**

59. The Commission's staff has performed an engineering analysis and review of the design capacity of Bluewater's existing natural gas facilities that will be used to provide jurisdictional services to ensure that the design is appropriate and efficient. Based on Commission staff's review, the Commission concludes that the geological and engineering parameters for Bluewater's underground natural gas storage facilities are well defined. Based on this analysis, the Commission further finds that the facilities are appropriately designed to withdraw up to 826 MMcf of natural gas per day from storage and to inject up to 508 MMcf of natural gas per day into storage and provide a gas storage inventory stored of 29.25 Bcf at 14.73 psia and 60°F .

**H. Environmental Analysis**

60. Environmental review of this proposal under section 380.4 of the Commission's regulations confirms that this action qualifies as a categorical exclusion under section 380.4(a)(27), since the proposal seeks authorizations necessary for the applicant to provide jurisdictional natural gas services but does not require the construction of any facilities.

**I. Abandonment of Certificate Held by BGS Kimball Gas Storage, LLC**

61. As discussed, the Commission granted WPS-ESI Gas Storage, BGS Kimball's predecessor, a blanket certificate in July 2004 pursuant to section 284.224 of the regulations to authorize use of the Kimball 27 storage facilities to provide interstate storage services at market-based rates.<sup>38</sup> BGS Kimball states that WPS-ESI Gas Storage never commenced the provision of any interstate storage services and on the date of the purchase and sale agreement between Bluewater and WPS Energy Services (then the owner of WPS-ESI Gas Storage) was not providing service to any customers.

62. In view of Bluewater's long-term lease of the Kimball 27 storage facilities and this order's issuance of an NGA certificate authorizing Bluewater's use of the facilities for interstate service, the Commission will grant BGS Kimball's request in Docket No. CP06-350-000 for authority to abandon the section 284.224 certificate of limited jurisdiction granted to WPS-ESI Gas Storage and now held by Bluewater. The Commission believes that combining the Kimball 27 capacity with the Bluewater

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<sup>38</sup> *WPS-ESI Gas Storage, LLC*, 108 FERC ¶ 61,061 (2004).

capacity as an integrated storage project will be an efficient way to bring additional storage capacity to the interstate market and will approve the abandonment of the blanket certificate issued to WPS-ESI Gas Storage.

#### **J. Blanket Certificates**

63. In Docket No. CP06-368-000, Bluewater requests issuance of a blanket certificate under Subpart G of Part 284 in order to provide open access firm and interruptible storage, hub and wheeling services. Under a Part 284 blanket certificate, Bluewater will not require individual authorizations to provide storage services to particular customers. Bluewater filed a *pro forma* Part 284 tariff to provide open access storage and hub services with pre-granted abandonment of such services. Since a Part 284 blanket certificate is required for Bluewater to offer these services, the Commission will grant Bluewater's request for a Part 284 blanket certificate, subject to the conditions imposed herein. Further, we will also grant the blanket construction certificate, requested in Docket No. CP06-367-000, under Subpart F of Part 157. This blanket certificate will apply to routine construction activities involving the entire Bluewater Storage Project, including the leased Kimball 27 facility.

#### **IV. Conclusion**

64. For the reasons discussed above, the Commission finds that the Bluewater Storage Project is required by the public convenience and necessity and that the requested certificates and abandonment authority regarding the facilities described in this order and in the applications should be granted, subject to the conditions discussed herein and listed in Appendix A.

65. The Commission, on its own motion, received and made part of the record in this proceeding all evidence, including the application and exhibits thereto, submitted in support of the authorizations sought herein, and upon consideration of the record,

#### **The Commission orders:**

(A) In Docket No. CP06-351-000, a certificate of public convenience and necessity is issued to Bluewater authorizing it to own and operate the storage and associated pipeline facilities, as described more fully in this order and in the application and to acquire by lease all natural gas storage facilities comprising the Kimball 27 Facility and integrate the operation of such facilities into the Bluewater Project.

(B) In Docket No. CP06-350-000, permission for and approval of the abandonment by BGS Kimball's of the blanket certificate of limited jurisdiction under section 284.224 granted to its predecessor WPS-ESI Gas Storage is granted.

(C) In Docket No. CP06-367-000, a blanket transportation certificate is issued to Bluewater under Subpart F of Part 157.

(D) In Docket No. CP06-368-000, a blanket construction certificate is issued to Bluewater under Subpart G of Part 284.

(E) The certificate issued in Ordering Paragraph (A) is conditioned upon Bluewater's compliance with all applicable Commission regulations under the Natural Gas Act, particularly the general terms and conditions set forth in Parts 154, 157 and 284, and paragraphs (a), (c), (e) and (f) of section 157.20 of the regulations.

(F) Bluewater's request to charge market-based rates for firm and interruptible storage services and interruptible hub services is approved, as conditioned in the body of this order.

(G) Bluewater's request for waivers of the Commission's regulations are granted, as discussed in the body of this order.

(H) Bluewater shall submit actual tariff sheets that comply with the requirements contained in the body of this order no less than 30 days or more than 60 days prior to the commencement of interstate service.

(I) Within 30 days after its first full year of operation and every year thereafter, Bluewater is directed to file an annual informational filing on its provision of service using off-system capacity, as detailed in this order.

(J) The certificate issued in Ordering Paragraph (A) is conditioned upon Bluewater's compliance with the engineering conditions set forth in Appendix A to this order.

By the Commission.

( S E A L )

Magalie R. Salas,  
Secretary.



## **APPENDIX A**

### **Engineering Conditions for the Bluewater Storage Project**

1. Maximum inventory of natural gas stored in the Bluewater Storage Project shall not exceed the certificated levels of 29.25 Bcf comprised of 26.2 Bcf attributable to the Bluewater facility and 3.05 Bcf capacity at the Kimball 27 facility, at 14.73 psia and 60 degrees Fahrenheit, and the maximum shut-in wellhead storage pressure shall not exceed 2,205 psig for the Bluewater facility and 1,897 psig for the Kimball 27 facility, without prior authorization of the Commission.
2. The Bluewater and Kimball 27 facilities shall be operated in such manner as to prevent/minimize gas loss or migration.
3. Bluewater shall submit semiannual reports (to coincide with the termination of the injection and withdrawal cycles) containing the following information (volumes shall be stated at 14.73 psia and 60 degrees Fahrenheit and pressures shall be stated in psia):
  - (1) The daily volumes of natural gas injected into and withdrawn from the storage reservoir.
  - (2) The volume of natural gas in the reservoirs at the end of the reporting period.
  - (3) The maximum daily injection and withdrawal rates experienced during the reporting period. Average working pressure on such maximum days taken at a central measuring point where the total volume injected or withdrawn is measured.
  - (4) Results of any tracer program by which the leakage of injected gas may be determined. If leakage of gas exists, the report should show the estimated total volume of gas leakage, the volume of recycled gas, and the estimated remaining inventory of gas in the reservoir at the end of the reporting period.
  - (5) Any surveys of pressures in gas wells, and the results of back-pressure tests and inventory verification studies conducted during the reporting period.
  - (6) The latest revised structure contour maps showing location of the wells and the location of the gas-water contact if one exists. These maps need not be filed if there is no material change from the maps previously filed.

- (7) For the reporting period, a summary of wells drilled, worked over, or recompleted or worked-over with below ground surface depth of formation and casing settings. Additionally, summarize results of reservoir characteristics from any logs or cores taken in each well.
- (8) Discussion of current operating problems and conclusions.
- (9) Such other data or reports which may aid the Commission in the evaluation of the storage project.

Bluewater shall continue to file these reports semiannually until the storage inventory volume and pressure have reached or closely approximate the maximum permitted in this order. Thereafter, the reports shall continue on a semiannual basis for a period of one year.